ESTIMATED MARYLAND REVENUES

REPORT OF THE MARYLAND BOARD OF REVENUE ESTIMATES

SUBMITTED TO
MARTIN O'MALLEY
GOVERNOR

FISCAL YEARS ENDING JUNE 30, 2013 AND JUNE 30, 2014

State of Maryland
Board of Revenue Estimates
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December 13, 2012

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21401

Dear Governor O'Malley:

In compliance with Section 6-106(b) of the State Finance and Procurement Article of the Annotated Code of Maryland, the Board of Revenue Estimates has prepared and herewith submits to you new estimates of State revenues for the fiscal years ended June 30, 2013 and June 30, 2014, based upon current laws and administrative practices. As in the past, the estimates represent the collective efforts of each of the Board members and their staffs.

The Board will continue its study of economic and revenue trends and will report to you any significant changes that may affect Maryland's revenues.

Respectfully yours,

Peter Franchot

Peter Franchot, Chairman

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Executive Summary

The national economy continues to recover from the Great Recession, although by many measures, it remains below peaks set five years ago. Ongoing uncertainty over policy decisions in the United States and abroad fuels speculation over whether the US economic recovery will continue or if a negative economic shock may bring another recession.

Nationally, recent job creation trends have been positive, with net job growth in each of the last 26 months. However, approximately half of the jobs lost throughout the nation during the recession have yet to be recovered. At current growth rates it will take more than two years to recover all the lost jobs. Additionally, both the employed and the unemployed continue to encounter downward pressure on current and prospective wages.

Maryland's economy, though still recovering, compares more favorably to pre-recessionary peaks than the national economy as a whole according to many conventional statistics. Close proximity to the federal government, which directly accounts for roughly 10% of the State's economy, buffered Maryland from the worst of the Great Recession. State GDP bottomed out after falling an estimated 3.4% over four quarters, while national GDP fell 4.7% over six quarters. Job growth in Maryland since the recession has outpaced the nation as a whole, largely led, until this year, by the growth of federal jobs or jobs which otherwise support the federal government. Maryland employment reached 99% of the prior peak in October 2012, while the nation as a whole reached approximately 97%. The high growth in federal jobs appears to have subsided with the Base Realignment and Closure process, which culminated in 2011.

Maryland's proximity to the federal government, at times a protective factor for the State, may become a drag on the economy if current federal laws remain unchanged. The "fiscal cliff," the scheduled expiration of numerous current laws, including the Bush era tax cuts and the payroll tax cut, as well as automatic federal spending cuts ("sequestration") enacted as a result of the debt ceiling crisis of 2011, is scheduled to hit in January of 2013. Many economists forecast that, given the already weak economic recovery, the nation will be sent back into recession if current law stands and the fiscal cliff occurs in its entirety.

Sequestration is expected to affect Maryland's economy and revenues to a greater extent than many other states' due to the concentration of federally supported jobs in its labor market. Furthermore, some expiring tax provisions such as lowered income, capital gains and dividend tax rates, as well as the elimination of the cap on itemized deductions, would disproportionally affect higher income taxpayers. The major expiring provisions reduced the federal tax liability of Maryland residents by approximately $4.4 billion in 2011, about 1.5% of Maryland personal income.

If federal law is unchanged and the fiscal cliff occurs in its entirety, Maryland may lose up to an estimated 60,200 jobs and $911 million in sales and use and personal income tax revenues over fiscal years 2013 and 2014. While any outcome remains possible, the Board of Revenue Estimates assumes that an agreement will be reached that reduces the magnitude of the tax increases and spending cuts, but that there will still be a substantial impact on the State's economy. Generally, provisions affecting high income taxpayers are assumed to go forward, while those affecting lower income taxpayers will be delayed or repealed. Further, the forecast assumes that sequestration measures will be mitigated but not eliminated.

Employment growth is anticipated to slow to less than 1.0% in 2013, before increasing to 2.0% by 2015. Personal income is forecast to follow a similar trend, slowing to 3.4% in 2013, but accelerating to about 5% for years 2014 through 2016. Again, this forecast is dependent on assumptions of policy outcomes from Washington.

Total State revenues are expected to increase by 5.5% in fiscal year 2013 and 2.1% in fiscal year 2014. Excluding the $32.9 million in extraordinary revenue, growth is forecast at 5.2% and 2.3%, respectively. Individual income tax revenues are forecast to grow by 8.0% in fiscal year 2013, before slowing to 3.7% in fiscal year 2014. Withholding growth is projected to remain sluggish, increasing by 4.0% in fiscal year 2013 before accelerating to 4.6% in fiscal year 2014. While the activity underlying income tax withholding is forecast to remain sluggish, capital gains realizations and otherwise-unscheduled dividend payouts are expected to surge in advance of the elimination of the preferential tax treatment on these forms of income (some of this activity will be simply accelerated from tax year 2013). Legislated State rate increases and exemption decreases will also boost income tax growth in fiscal year 2013.

Corporate income tax revenues are expected to increase 38% in fiscal year 2013 before decreasing in fiscal year 2014 by 5.4%, following legislated Transportation Trust Fund distribution changes. Sales and use tax revenues are forecast to grow 2.3% in fiscal year 2013 and 2.9% in fiscal year 2014, as an uncertain economic environment continues to weigh down consumer confidence. Lottery revenues are revised down in fiscal years 2013 and 2014 by $10.3 million and $15.6 million, respectively, largely due to cannibalization of existing games from newly authorized casino games.

The total general fund revisions from September are increases of $127.1 million in fiscal year 2013 and $33.7 million in fiscal year 2014, resulting in total estimates of $15.035 billion and $15.351 billion for fiscal years 2013 and 2014, respectively. Adjusting for law changes, baseline revenues are projected to grow more slowly at 2.9% in fiscal year 2013 and 3.6% in fiscal year 2014.

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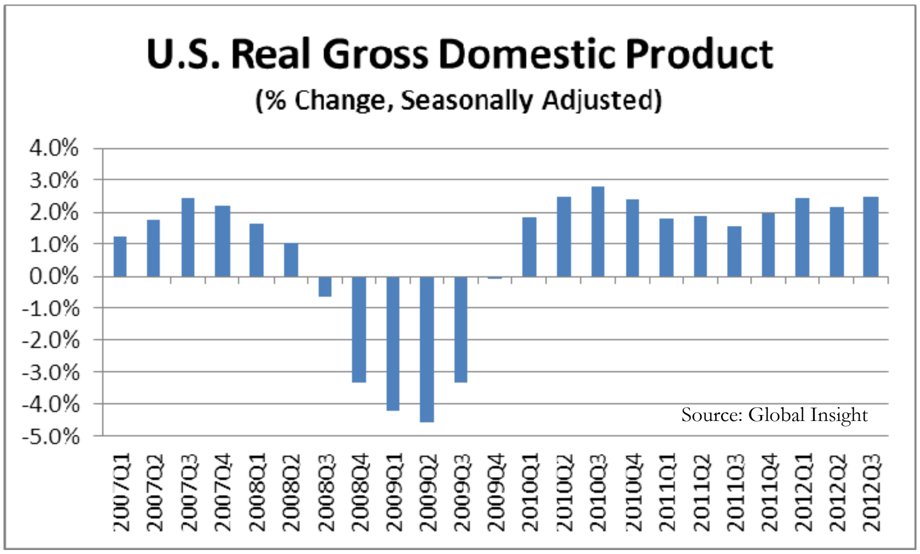
The U.S. Economy

The U.S. Economy continues to shake off the effects of the most recent recession. Uncertainty over the outcome of the election has been resolved, though political ambiguity persists regarding the “fiscal cliff” and the U.S. debt situation. Decisions made by Congress and the White House on these issues will greatly affect the economic outlook of the country. According to Macroeconomic Advisors, failure to reach an accord on the fiscal cliff would result in an economic contraction equal to 4.3% of real gross domestic product (GDP). However, the economic outlook adopted by the Board of Revenue Estimates assumes that there will be a compromise on federal income tax increases and spending cuts, as detailed in the Federal Changes section below. Fiscal cliff aside, however, growth remains subdued and many economic measures remain below pre-recessionary levels.

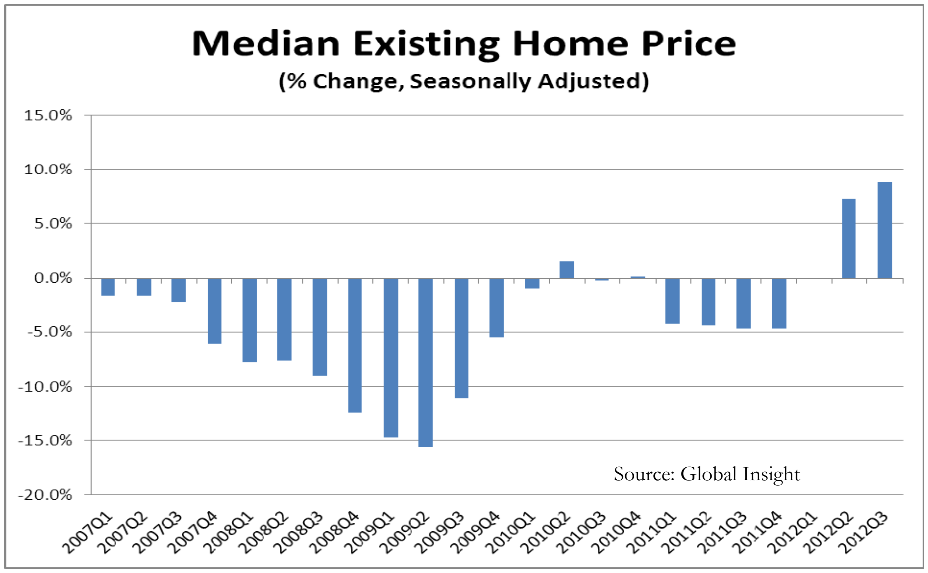
Real GDP is expected to increase 2.1% in 2012, slow to 1.9% growth in 2013 due to the uncertainties surrounding fiscal policy, but accelerate to 2.8% growth in 2014, which approaches long-term rates of growth. Total nonfarm payrolls are on track to grow 1.4% in 2012, marking the second consecutive year of growth following the recession. As the debate over the fiscal cliff plays out and current policy uncertainties are resolved, employment growth is expected to accelerate to 1.5% in 2013 and 1.7% in 2014, but even so, employment will not surpass pre-recession levels until the end of 2014.



Personal income is expected to finish 2012 with growth of 3.5%, at which point it is expected to surpass peak levels experienced before the onset of the recession. Modest improvement is expected in 2013 and 2014, when growth in total personal income will near 5%. Relatively weak growth at roughly the same rate is expected for wage income, which is just over half of total personal income. Wages will be weighed down by ongoing slack in the labor market. Despite relatively strong growth in employment over the forecast period, the unemployment rate is not expected to return to pre-2008 levels as a result of both population growth and a slowly improving economy drawing people back into the workforce. The large pool of unemployed and entrants into the labor market will result in minimal pressure for employers to increase wages. While wage income increased between 5.0% and 6.5% in the several years leading into the recession, growth is not expected to reach 5.0% at any point over the forecast horizon.

Real household net worth plunged 20.4% in 2008 during the onset of the recession and has grown modestly since. In 2011, net worth actually declined by 1.1%, but is expected to grow 4.8% in 2012, primarily due to a modest rebound in housing values and stock market performance. In 2013, net worth is predicted to increase by 3.0% before moderating in 2014 to 1.5% growth, at which point net worth would still remain almost 10% below the pre-recession level.

The residential real estate market is starting to show growth and possibly signs of a rebound. Existing single family home sales grew 8.7% in 2011, more than three times the rate in 2010. Sales growth in 2012 and 2013 is expected to be 8.7% and 9.1%, respectively, and a strong 11.4% in 2014, with purchases in advance of an expected increase in the federal funds rate and thus mortgage interest rates in later years. Housing starts were up 25.3% in 2011 and are expected to continue at about that rate in 2012 and 2013. Growth is expected to jump to 31.8% in 2014, again due to the seemingly inevitable increase in mortgage rates. The median sales price of existing homes is expected to grow 6.3% in 2012 and remain relatively flat in 2013 and 2014. Despite these positive indicators, as of the third quarter of 2012, median housing prices were 18.8% below their peak level in 2006.



As a result of the lower houshold net worth, the stubbornly high unemployment rate, and other hangovers from the recession, consumer spending remains fragile. Consumer confidence is at its highest point since the start of the recession, but it remains approximately 30% below pre-recession levels. In 2011 and 2012, growth in consumer spending has been driven by spending on durable goods. Two years of substantial declines during the recession resulted in pent-up demand for big-ticket items that has likely only now been satisfied. Going into 2013, accordingly, spending on durable goods will slow; confidence will be restrained by the current fiscal uncertainties, and spending on nondurable goods and services will not pick up the slack. With the resolution of those issues and a steady though modest increase in employment in 2014, consumer spending will pick up, although growth is expected to stabilize at just over 4%, several percentage points lower than the rates in the several years leading into the recession.

The combination of political and economic uncertainty in the United States and abroad has significant bearing on the recovery. Though the U.S. economy continues to grow, by many measures, this remains the slowest recovery of our lifetimes, and continued growth is not certain. Further clouding forecasts of the U.S. economy is the lack of a clear plan on fiscal policy. Businesses are hesitant to invest in fixed capital or expand operations due to uncertainty in the tax code, and individuals who have jobs heavily reliant on government spending, such as those employed by defense contractors and professional services, are hesitant to make major purchases as they are unable to accurately assess future income. Issues abroad, such as escalating conflicts in the Middle East and Northern Africa, could cause major disruptions in economic growth.

Lastly, economic and political uncertainty remains with China, which is experiencing slowing GDP growth and a new political regime. Taken in whole, the Board expects modest economic growth in the future, but will continue to monitor these events and revise revenue estimates accordingly throughout the year.

Table 1

Forecast of the US Economy

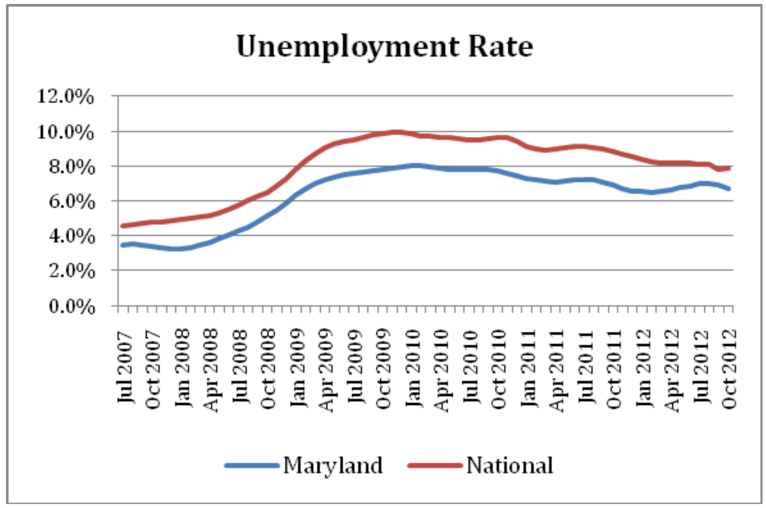
Primary Indicators

CALENDAR YEAR	2008	2009	2010	2011	2012	2013	2014
Real Gross Domestic Product ($ in billions)	13,162	12,758	13,063	13,299	13,580	13,843	14,233
	-0.3%	*-3.1%*	*2.4%*	*1.8%*	*2.1%*	*1.9%*	*2.8%*
Federal Funds Rate (%)	1.9%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%
10-Year Treasury Bond Yield (%)	3.7%	3.3%	3.2%	2.8%	1.8%	2.1%	2.8%
Consumer Price Index (%Δ from prior year)	3.8%	-0.3%	1.6%	3.1%	2.1%	1.3%	1.8%
Housing Starts (thousands of units)	900	554	586	612	767	980	1,292
	-32.9%	*-38.4%*	*5.7%*	*4.5%*	*25.3%*	*27.8%*	*31.8%*
Light Vehicle Sales (thousands of units)	13,195	10,402	11,555	12,733	14,358	15,105	15,647
	-18.0%	*-21.2%*	*11.1%*	*10.2%*	*12.8%*	*5.2%*	*3.6%*
Corporate Profits Before Taxes ($ in billions)	1,248	1,342	1,702	1,827	1,934	1,949	1,962
	-17.4%	*7.5%*	*26.8%*	*7.3%*	*5.9%*	*0.8%*	*0.6%*
Total Non-Agricultural Employment (thousands)	136,794	130,787	129,856	131,359	133,250	135,281	137,624
	-0.6%	*-4.4%*	*-0.7%*	*1.2%*	*1.4%*	*1.5%*	*1.7%*
Unemployment Rate (%)	5.8%	9.3%	9.6%	9.0%	8.1%	7.7%	7.3%
Total Personal Income ($ in billions)	12,460	11,867	12,322	12,947	13,395	13,913	14,601
	4.6%	*-4.8%*	*3.8%*	*5.1%*	*3.5%*	*3.9%*	*4.9%*

Source: Board of Revenue Estimates and Global Insight (December 2012 Forecast)

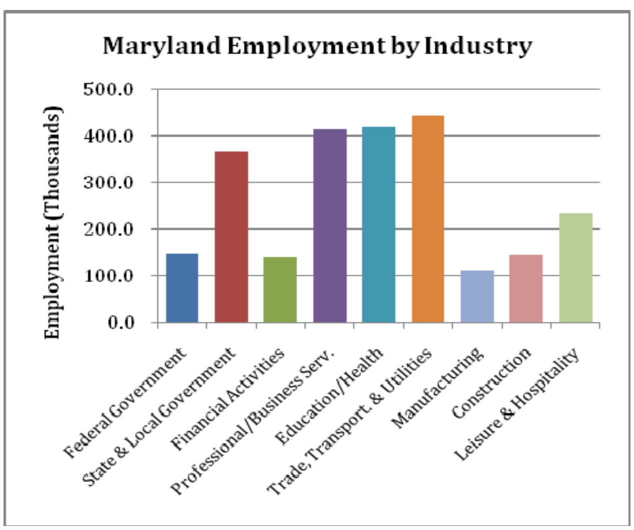
The Maryland Economy

Maryland's economy continues to rebound from the effects of the national recession. In general, most economic indicators are displaying weak though positive trends. Year-to-date, Maryland's gross domestic product (GDP) has grown at approximately 3.1% versus 2.3% for the U.S. economy, a significant increase from the 0.6% growth in 2011. The State's extraordinary level of educational attainment and corresponding high-technology jobs coupled with the considerable federal presence within the State served as a buffer against the more extreme job and income losses that the nation as a whole suffered. As of October, Maryland's unemployment rate stood at 6.7%, over one percentage point lower than the national rate, though still elevated relative to a pre-recession average of 3.7%. More recently, the federal government's presence in the State and its related economic footprint have created considerable uncertainty in what remains a fragile recovery as federal policymakers consider austerity measures.



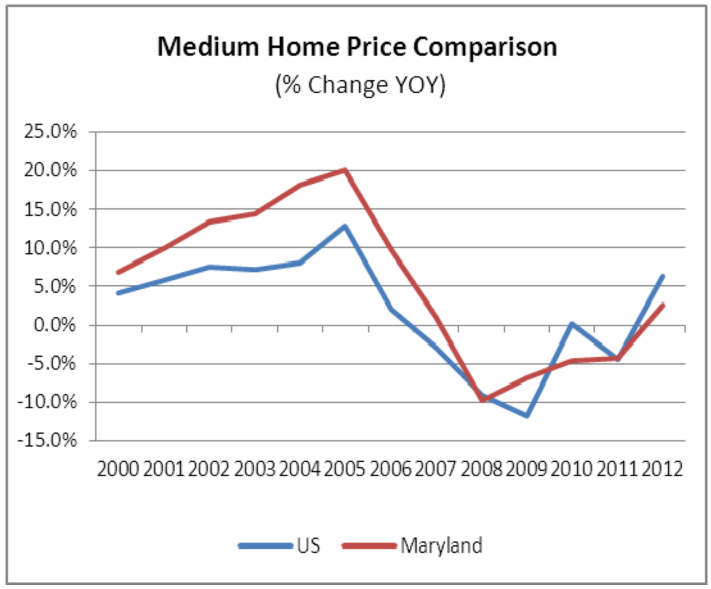
Employment in Maryland has expanded as the economic recovery has continued; year-over-year job growth has been positive each month since June 2010. The recession resulted in a peak-to-trough job loss of 144,700 jobs, or 5.5% of total employment. Since the trough, Maryland has added 122,500 jobs through October 2012, though total employment remains almost 1.0% below peak levels.

The education and health services and the professional and business services sectors, the two largest segments of employment in the State, have grown 3.2% and 3.5% year-to-date, respectively. The presence of excellent education and health institutions, such as Johns Hopkins, mark Maryland as a cornerstone for the growing industry. The Base Realignment and Closure (BRAC) process brought many high-paying professional and business service jobs to the State and should provide growth in the future as many of those jobs support cyber warfare, a growing component of the national defense strategy. At the other end of spectrum, manufacturing employment, which has been on the decline for quite some time



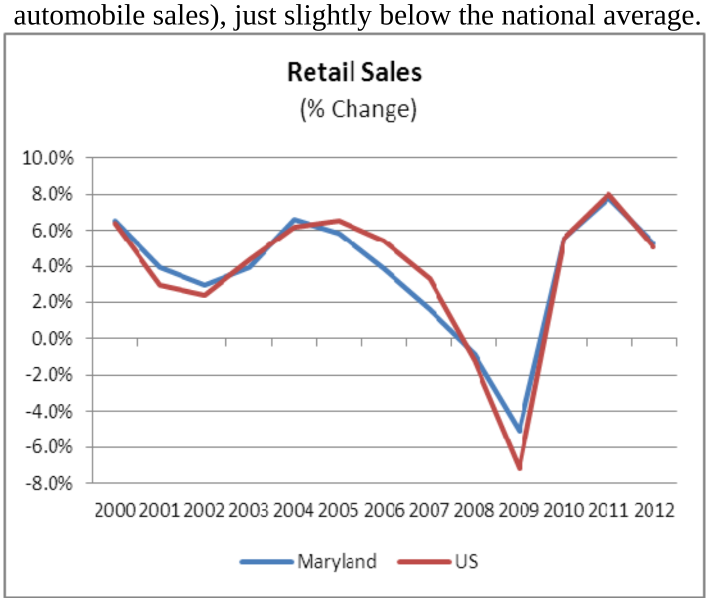
and now only represents 5% of total employment in the State, is down 2.2% year-to-date.

Wages and salaries in the State, about half of all income, have also been on the mend, though growth remains quite depressed at this point relative to most other post-war recoveries. In 2009 the total amount of wages earned in Maryland declined for the first time since 1954, though only 80 basis points, whereas national wages declined 4.3%. Since 2009 wage growth in Maryland, which has been subdued relative to the boom years earlier in the decade, has gained momentum. Wages from the professional and business services sector, accounting for about 18% of all wages earned in the State, were up 5.7% in 2011 and are up 5.1% year-to-date. Total wage growth is up 4.0% year-to-date after growth of 3.6% in 2011. The average wage in Maryland remains well above the nation's, at about 112% of the average, and should continue to accelerate as the unemployment rate recedes and the labor market tightens.



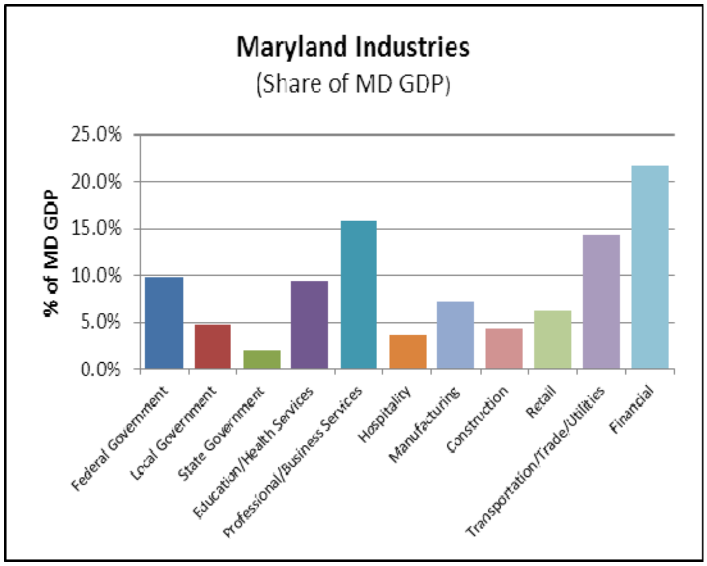
The real estate market appears to have bottomed out and has possibly shifted to a source of growth for the broader economy. The median price for a home in Maryland, according to Global Insight, is projected to be up 2.6% by year's end after declining for five consecutive years. Perhaps the single largest driver of price growth has been the reduction in inventory; inventory peaked in 2008 at over 50,000 units and is now at almost half of that level. Additionally, the number of residential permits issued, as reported by the Census Bureau, has increased 28.5% year-to-date and the total value of those permits has increased 21.7%. However, risk remains in the outlook as the percentage of loans beginning the foreclosure process has increased above 2010 and 2011 levels, though this was somewhat expected as Maryland employs a judicial foreclosure process. There may still be a considerable number of distressed property sales as well as an inventory of other homes that have been held from the market in anticipation of higher prices.

Moody's Analytics estimates that retail sales for the State are up 5.1% year-to-date (including automobile sales), just slightly below the national average. The debt-to-income ratio for Marylanders has increased to 23.5% in recent quarters, slightly higher than 2010 levels though well below the 25% level seen prior to the recession. The consumer's willingness to take on debt after the significant deleveraging witnessed throughout the recession may be indicative of varying situations. Installment credit has increased 9.9% year-to-date indicating that consumers are making large



purchases, as witnessed in the automobile sales arena, or refinancing their homes to lower monthly payments at today's historically low interest rates. Revolving credit, such as bank credit cards or store credit, is experiencing positive growth for the first time since 2008. Total personal bankruptcies have fallen 13.9% for the year and are continuing to trend downwards from last year. However, wealth remains below pre-recession levels and consumers are continuing to divert large shares of their disposable income to food and gasoline. It may be some time before consumers feel confident enough in their job security and overall financial situations to spend more on discretionary purchases.

Concerns regarding the Eurozone have a minimal direct impact on Maryland's economy, especially when it comes to trade. Maryland, whose main exports consist of transportation equipment, chemicals, machinery and computer products, exported over $10.8 billion in goods in 2011, accounting for just 0.9% of all trade activity nationwide. Exports to the entire Eurozone accounted for 15.3% of the State's total export volume year-to-date, while exports to Canada, the State's largest trading partner, account for 15.8% alone. Year-to-date, according to the International Trade Administration, Maryland has exported $8.7 billion worth of merchandise, an increase of 10.2% over this time last year.



While any negative shock to the national economy would likely result in a recession, the effects of the fiscal cliff, in its entirety, would be particularly dire. The fiscal cliff scenario assumes the expiration of the "Bush-era" tax cuts, the expiration of the payroll tax cut, and $1.2 trillion (over 10 years) in cuts to defense and discretionary federal spending. With its heavy reliance on the federal government, Maryland's economy would be particularly hard hit by the sequestration measures. Although the federal government accounts for 5.7% of the State's employment, it accounts for approximately 9.8% of the State's economy. Professional and business services firms, which account for 15.9% of the State's workforce, along with direct federal employment, would bear the brunt of the changes required under sequestration. However, since Maryland's federal presence is diversified and largely focused on health care, the sciences, and intelligence—highly paid jobs in sectors of increasing importance to the nation—it is possible that despite the State's significant share of federal employment, the impact may not be as large as feared. The impact of sequestration would be exacerbated by the expiration of the Bush era tax cuts. The sharp rise in federal income taxes, totaling close to 1.5% of Maryland personal income, will reduce disposable incomes and endanger the already tepid recovery.

The Board of Revenue Estimates has assumed in the forecast the federal policy makers are able to reach a compromise that averts the full effects of the fiscal cliff. Those assumptions are detailed in the 'Federal Changes' section of this report, but they generally assume that taxes are increased for higher income individuals and that the majority of the policies that affect the broader population are preserved. It is also assumed that full impact of sequestration, as it stands in current law, is mitigated

The resulting economic forecast calls for employment growth to slow in 2013 to 0.9% as the new round of federal budget cuts are put in place. Those cuts are forecast to eliminate 12,700 jobs in the State, with the majority of the losses occurring in 2014. The resolution of these policy uncertainties, however, will support renewed economic growth. Employment growth of 1.5% is expected in 2014 with additional acceleration in 2015. Moderate wage growth is expected in the near term as unemployment continues to restrict wage pressures, though slow acceleration is expected throughout the forecast. Growth in total personal income roughly mirrors that of wage income, with the exception of 2013 when the payroll tax reduction is expected to expire.

Table 2

Forecast of the Maryland Economy

CALENDAR YEAR	2008	2009	2010	2011	2012	2013	2014
Total Non-Agricultural Employment (thousands)	2,600	2,523	2,518	2,548	2,570	2,593	2,632
	-0.3%	*-2.9%*	*-0.2%*	*1.2%*	*0.9%*	*0.9%*	*1.5%*
Existing Median Home Price	292,050	272,268	259,839	248,871	255,344	259,030	265,949
	-9.7%	*-6.8%*	*-4.6%*	*-4.2%*	*2.6%*	*1.4%*	*2.7%*
Existing Single Family Home Sales	53,184	60,523	62,747	65,893	72,843	81,103	94,757
	-31.8%	*13.8%*	*3.7%*	*5.0%*	*10.5%*	*11.3%*	*16.8%*
Total Private Housing Starts	12,877	9,997	12,006	11,759	13,608	14,458	18,440
	-29.7%	*-22.4%*	*20.1%*	*-2.1%*	*15.7%*	*6.2%*	*27.5%*
Total Personal Income	277,793	271,729	281,305	295,236	305,883	316,780	330,994
	4.9%	*-2.2%*	*3.5%*	*5.0%*	*3.6%*	*3.6%*	*4.5%*
Wages and Salaries	137,778	136,691	139,608	144,633	149,550	155,256	160,703
	2.3%	*-0.8%*	*2.1%*	*3.6%*	*3.4%*	*3.8%*	*3.5%*
Dividends, Interest and Rent	51,864	42,752	43,071	46,604	49,412	51,974	54,505
	10.4%	*-17.6%*	*0.7%*	*8.2%*	*6.0%*	*5.2%*	*4.9%*
Capital Gains ($ millions)	5,806	3,729	4,406	5,067	6,840	6,156	6,772
	-62.8%	*-35.8%*	*18.2%*	*15.0%*	*35.0%*	*-10.0%*	*10.0%*
Unemployment Rate (%)	4.3%	7.4%	7.8%	7.1%	6.8%	6.6%	6.3%

Source: Board of Revenue Estimates and Global Insight (December 2012 Forecast)

Potential Federal Changes

The December 31 expiration of the Bush-Era tax cuts and the payroll tax reduction, along with the automatic federal spending cuts enacted as a result of the debt ceiling crisis of 2011 scheduled to begin in January 2013, collectively known as the "fiscal cliff," have the potential of derailing the fragile economic recovery. While many in Washington would like to avert the negative economic ramifications of the fiscal cliff, consensus has yet to be reached. Negotiations are underway, though any outcome remains possible. The Board of Revenue Estimates has assumed that a compromise will be reached that mitigates the required spending cuts and allows certain tax provisions affecting higher income taxpayers to expire, but that extends tax reductions predominately affecting lower income taxpayers.

Sequestration

As a result of negotiations over the country's debt ceiling in 2011, automatic across-the-board spending cuts ("sequestration") of $1.2 trillion over ten years will begin on January 1, 2013 unless Congress takes action. These automatic cuts are evenly split between defense and non-defense spending, including lower caps on certain discretionary budget programs, mandatory cancellation of certain budgetary resources, and savings from reduced debt-service costs. The Congressional Budget Office estimates that the total savings from these automatic mechanisms will reach $1.1 trillion by 2021, with 71% of the savings resulting from discretionary spending cap reductions, 13% resulting from cuts in mandatory spending, and 16% resulting from debt-service cost savings. Many programs are exempt from spending cuts, including certain entitlement programs such as Social Security and Medicaid. As Maryland receives large amounts of direct and indirect revenues from government spending—federal spending in the State is the equivalent of one-third of the State's economy, and direct federal employment is 5.9% of the State's jobs—sequestration will have a significant impact on Maryland's tax revenues beginning in fiscal year 2013.

Payroll Tax Reduction

The payroll tax has been reduced by two percentage points since the start of calendar year 2011, but that reduction is scheduled to expire at the end of 2012. Though this payroll tax cut has not affected State income tax revenues, sales tax revenues have been elevated due to higher disposable income for Maryland residents, part of which is spent on taxable goods and services.

Bush-Era Tax Cuts

A group of tax reform measures passed in 2001 and 2003, commonly referred to as the Bush-era tax cuts, substantially reduced the federal income tax burden on most taxpayers. The bulk of these provisions were set to sunset at the end of 2010, however, late in 2010, they were extended through the end of 2012. Extended provisions include the phase-out of itemized deduction limitations for higher income individuals; a higher Child Tax Credit; a 10% income tax bracket; reduced rates for the remaining income tax brackets; and lowered rates for dividend income and capital gains.

Itemized deductions reduce taxable income and therefore total tax liability of the taxpayer. Generally, total allowable federal itemized deductions are limited. This limitation increases with a taxpayer's income and total deductions. The limitation was gradually phased out, beginning in tax year 2006, culminating in the complete elimination of the limitation for tax year 2010 and later. With no congressional action, the full limitation will return in 2013, reducing the maximum allowable deduction and increasing both federal and State income taxes paid.

Federal income tax brackets currently have rates set at 10%, 15%, 25%, 28%, 33%, and 35%; before the Bush tax cuts, the rates were 15%, 28%, 31%, 36%, and 39.6%. With no congressional action, these higher rates will be reinstated for tax year 2013, and the 10% bracket will no longer exist.

The Child Tax Credit was increased from $500 to $600 per qualifying child for tax years 2001 and 2002, and to $1,000 per qualifying child for 2003 and later. If this credit exceeds tax liability, it can be claimed as a refundable credit for most taxpayers. The credit phases out at higher income levels. With no congressional action, the child tax credit will revert to $500 per qualifying child for tax year 2013.

Prior to the Bush tax cuts, gains from the sale of long-term capital assets were taxed at a 20% rate or at a 10% rate for individuals in the 10% or 15% ordinary income tax brackets. The tax rate on assets held for more than five years was 18% (8% for taxpayers in the 15% income tax bracket). Beginning in 2003, all long-term capital gains rates were reduced to 15% and 5%, respectively. In 2008, the rates were further reduced to their current 15% and 0% rates. Qualified dividends became taxable at the long-term capital gains rates, rather than ordinary income tax rates, beginning in tax year 2003. With no congressional action, the tax rate applicable to qualified dividends will revert to ordinary income tax rates, while the tax rates on long-term capital gains and on gains from the sale of assets held for more than five years will revert to their pre-Bush tax cut levels.

These tax cuts have put approximately $4.6 billion dollars annually into the hands of Marylanders over the last several years. If that money is instead directed to Washington in the form of higher federal income taxes, the sales and use tax would be indirectly affected through a reduction in Marylanders' disposable income. The one tax cut that flows through to Maryland's income tax calculation is the elimination of the limitation on itemized deductions. The Board of Revenue Estimates assumes that the provisions relating to the limitation of itemized deductions, the preferential tax rates for capital gains and dividends, and the lower income tax rates on the top two brackets will expire at the end of 2012. The lower income tax rates for all but the top two brackets and the $1,000 child tax credit are assumed to be extended.

Alternative Minimum Tax

Taxpayers pay the Alternative Minimum Tax (AMT) instead of the regular federal income tax if their AMT income is above a certain threshold and their regular federal tax is lower than the AMT. Individuals are entitled to an exemption against their AMT income which phases out for individuals with AMT income above the threshold. For tax years 1993 through 2000, the AMT exemption amount was set at $45,000 for taxpayers who are married and file jointly or who file as a surviving spouse $33,750 for Single or Head of Household filers, and $22,500 for married taxpayers who file separately The threshold amounts have been increased (patched) routinely by Congress to prevent the AMT from raising the tax burden on lower or middle income taxpayers. If Congress does not act, the threshold amount will revert to the level from tax years 1993 through 2000 beginning in tax year 2012. The Board of Revenue Estimates assumes that the Alternative Minimum Tax patch will be passed by Congress before the end of 2012.

Emergency Unemployment Compensation

Emergency Unemployment Compensation (EUC) is a temporary federal extension of unemployment compensation for individuals who have collected all regular state benefits for which they are eligible. The program, originally enacted through the Supplemental Appropriations Act, 2008, has been expanded twice and extended 8 times. The most recent extension of this program changed the final date for new applications from March 6, 2012 to January 2, 2013. The law also, generally, decreased the duration of such extended unemployment compensation for Marylanders from 86 to 54 weeks (assuming specific unemployment rates), and terminated the phase-out of EUC in exchange for a hard cut-off of payments on January 2, 2013. The Board of Revenue Estimates assumes that current law will hold, and EUC benefits will end on January 2, 2013.

The Fiscal Effects of Potential Federal Changes table on the following page provides an estimate of the changes that would be required to the Board of Revenue Estimates' official forecast for two of the possible outcomes of the current Congressional negotiations The first column lists each federal law change under the affected tax type (sales or income); the second column indicates which of those law changes the Board of Revenue Estimates expects Congress to extend (or not). The Board's official revenue forecast reflects those expectations. The third column is the deduction from the official forecast that would be required should Congress take no action and the full fiscal cliff takes effect. The last column shows the necessary adjustments to the Board's estimates if all of the tax cuts and other provisions set to expire at the end of this year are extended through 2014.

Fiscal Effects of Potential Federal Changes

	Provision Extended in Official Forecast (Y/N)	Change from Official Forecast ($ Millions): Full Fiscal Cliff		Change from Official Forecast ($ Millions): All Provisions Extended (Sequestration Averted)	
		FY 2013	FY 2014	FY 2013	FY 2014
Sales Tax					
Sequestration	Partial	(71.0)	(155.2)	21.0	67.6
Payroll Tax	N	-	-	9.7	20.1
Itemized Deductions	N	-	-	1.6	3.3
Top Two Federal Tax Brackets	N	-	-	3.6	7.6
All Other Brackets	Y	(18.9)	(38.9)	-	-
Capital Gains Rates	N	-	-	1.7	3.6
Dividends Rates	N	-	-	2.9	6.0
Child Tax Credit	Y	(4.2)	(8.5)	-	-
Alternative Minimum Tax	Y	(8.6)	(5.8)	-	-
Emergency Unemployment Compensation	N	-	-	0.9	1.0
Macro Effect - Full Fiscal Cliff		(49.8)	(148.6)	-	-
Subtotal		**(152.5)**	**(357.0)**	**41.4**	**109.2**
Income Tax					
Sequestration	Partial	(24.0)	(79.7)	57.9	48.0
Itemized Deductions	N	-	-		(69.9)
Macro Effect - Full Fiscal Cliff		(36.7)	(74.6)	-	-
Subtotal		**(60.7)**	**(154.3)**	**57.9**	**(21.9)**
Net Gain (Loss) to the State		**(213.2)**	**(511.3)**	**99.3**	**87.3**

General Fund Revenues

In preparing these estimates, all of the State's revenue collecting agencies were consulted. In addition, the Board of Revenue Estimates continued to rely on the Revenue Monitoring Committee, comprised of key State staff with revenue estimating knowledge or collection responsibility. The committee compared and considered alternative economic forecasts from national economic consulting firms, Moody's Analytics and Global Insight, and local economists at Sage Policy Group.

The Board also considered the advice and recommendations of the Economic Advisory Panel. The panel, including representatives from various sectors of the economy and regions of the State and several economists, was consulted on the economic outlook. The Board of Revenue Estimates has incorporated the advice and comments of the Economic Advisory Panel into the economic assumptions that underlie the revenue forecast.

Table 3 shows detail on general fund and selected special fund revenue sources for fiscal years 2012 through 2014. Table 4 provides additional detail on general fund revenues. The sections which follow these tables provide more information on each of the state's general fund revenue sources.

Table 3

Selected Revenues

Fiscal Years 2012 - 2014

$ Thousands	GENERAL AND BUDGET RESTORATION FUND			SPECIAL FUND			TOTAL		
	Fiscal Year 2012 Actual	Fiscal Year 2013 Revised Estimate	Fiscal Year 2014 Estimate	Fiscal Year 2012 Actual	Fiscal Year 2013 Revised Estimate	Fiscal Year 2014 Estimate	Fiscal Year 2012 Actual	Fiscal Year 2013 Revised Estimate	Fiscal Year 2014 Estimate
INCOME TAXES									
Individual	7,114,679	7,686,126	7,971,330	1,617			7,116,296	7,686,126	7,971,330
Corporations	646,475	892,643	844,736	231,458	145,047	248,165	877,933	1,037,690	1,092,901
Total	7,761,154	8,578,769	8,816,066	233,075	145,047	248,165	7,994,229	8,723,816	9,064,231
SALES AND USE TAXES	4,039,348	4,131,550	4,252,199	37,232	42,192	47,822	4,076,580	4,173,742	4,300,021
STATE LOTTERY RECEIPTS	536,251	526,183	528,195	73,857	73,668	76,314	610,107	599,851	604,509
TRANSPORTATION REVENUES									
Motor Vehicle Fuel Tax	5,000	13,000	5,000	733,562	738,200	745,500	738,562	751,200	750,500
Highway User Revenue	186,722						186,722	0	0
Motor Vehicle Licenses, Fees				688,303	708,556	720,092	688,303	708,556	720,092
Motor Vehicle Titling Tax				632,356	682,000	737,000	632,356	682,000	737,000
Maryland Transit Fees				136,194	143,000	144,000	136,194	143,000	144,000
Maryland Port Fees				52,302	48,000	47,000	52,302	48,000	47,000
Maryland Aviation Fees				208,560	222,000	207,000	208,560	222,000	207,000
Total	191,722	13,000	5,000	2,451,277	2,541,756	2,600,592	2,642,999	2,554,756	2,605,592
OTHER REVENUES									
State Real and Personal Property Tax				762,299	723,489	713,414	762,299	723,489	713,414
Property Transfer Tax				121,692	138,100	164,000	121,692	138,100	164,000
Business Franchises and Filing Fees	207,194	203,352	204,791				207,194	203,352	204,791
State Tobacco Tax	411,427	417,835	417,698				411,427	417,835	417,698
Tax on Insurance Companies	304,022	314,517	319,157				304,022	314,517	319,157
Alcoholic Beverages Excises	31,009	31,100	31,713				31,009	31,100	31,713
Estate & Inheritance Taxes	196,897	217,814	218,827				196,897	217,814	218,827
Clerks of the Court	35,139	40,000	39,800				35,139	40,000	39,800
District Courts	79,395	77,000	76,230				79,395	77,000	76,230
Hospital Patient Recoveries	66,385	60,883	60,076				66,385	60,883	60,076
Interest on Investments	17,918	10,000	15,000					--- See Notes ---	
Miscellaneous Fees, Other Receipts	379,982	380,090	366,424						
Total	1,729,368	1,752,591	1,749,716						
Total Current Revenues	14,257,843	15,002,093	15,351,176					--- See Notes ---	
Extraordinary Revenues[1]		32,863							
GRAND TOTAL	14,257,843	15,034,956	15,351,176		--- See Notes ---				

[1] Extraordinary revenues include a GAAP transfer of $32.9 million in fiscal year 2013.

Notes: Includes all general fund revenues, all Transportation revenues and selected special fund taxes. In conjunction with Appendix B of the Fiscal Year 2014 Budget Book, this table will comprise the official estimate of total state revenues.

Table 4
Maryland General and Budget Restoration Fund Revenues
Fiscal Years 2012 - 2014

$ Thousands	FY 2012 Actual	FY 2013 September Estimate	FY 2013 December Estimate	FY 2013 Difference	FY 2013 Growth	FY 2014 September Estimate	FY 2014 December Estimate	FY 2014 Difference	FY 2014 Growth
INCOME TAXES:									
Individual	7,114,679	7,650,621	7,686,126	35,505	8.0%	7,967,339	7,971,330	3,991	3.7%
Corporation	646,475	821,752	892,643	70,891	38.1%	783,876	844,736	60,860	-5.4%
Total	7,761,154	8,472,373	8,578,769	106,396	10.5%	8,751,215	8,816,066	64,851	2.8%
SALES AND USE TAXES	4,039,348	4,127,690	4,131,550	3,860	2.3%	4,259,363	4,252,199	(7,164)	2.9%
STATE LOTTERY	536,251	536,444	526,183	(10,261)	-1.9%	543,755	528,195	(15,560)	0.4%
OTHER REVENUES									
Business Franchise Taxes	207,194	208,904	203,352	(5,552)	-1.9%	210,693	204,791	(5,902)	0.7%
Tax on Insurance Companies	304,022	311,560	314,517	2,957	3.5%	319,309	319,157	(152)	1.5%
Estate and Inheritance Taxes	196,897	214,814	217,814	3,000	10.6%	218,827	218,827	0	0.5%
Tobacco Tax	411,427	415,142	417,835	2,693	1.6%	414,066	417,698	3,632	0.0%
Alcoholic Beverages Excise Tax	31,010	31,616	31,100	(516)	0.3%	32,238	31,713	(525)	2.0%
Motor Vehicle Fuel Tax	5,000	13,000	13,000	0	160.0%	5,000	5,000	0	-61.5%
Highway User Revenue	186,722	0	0	0	-100.0%	0	0	0	
District Courts	79,395	78,601	77,000	(1,601)	-3.0%	78,994	76,230	(2,764)	-1.0%
Clerks of the Court	35,139	37,892	40,000	2,108	13.8%	37,721	39,800	2,079	-0.5%
Hospital Patient Recoveries	66,385	69,962	60,883	(9,079)	-8.3%	67,985	60,076	(7,909)	-1.3%
Interest on Investments	17,918	10,000	10,000	0	-44.2%	15,000	15,000	0	50.0%
Miscellaneous	379,982	379,821	380,090	269	0.0%	363,284	366,424	3,140	-3.6%
Total	1,921,090	1,771,312	1,765,591	(5,721)	-8.1%	1,763,117	1,754,716	(8,401)	-0.6%
Total Current Revenues	14,257,843	14,907,819	15,002,093	94,274	5.2%	15,317,450	15,351,176	33,726	2.3%
Extraordinary Revenues[1]		0	32,863	32,863	0.0%	0	0	0	0.0%
GRAND TOTAL	14,257,843	14,907,819	15,034,956	127,137	5.5%	15,317,450	15,351,176	33,726	2.1%

[1] Extraordinary revenues include a GAAP transfer of $32.9 million in fiscal year 2013.

Individual Income Tax

General fund individual income tax revenues increased 7.1% in fiscal year 2012, the second consecutive year of growth in excess of 7% after two years of decline. While the bottom line results appear encouraging, the detail is less so. The income tax has only now exceeded fiscal year 2008 levels, and that is partly a result of statutory changes that took effect beginning in tax year 2008. Net receipts increased a lesser 5.3%, with the difference a result of changes to the distribution of revenues to the local income tax reserve fund. Furthermore, income tax withholding increased only 3.7%, very weak given that Maryland employment rose 1.4% over the course of the fiscal year. In fiscal years 2005 and 2006, Maryland employment grew 1.5% and 1.6%, respectively, while withholding increased over 8% in both years. Although employment is recovering from the recession, growth in average wages clearly has not.

Estimated income tax payments fell 2.3% for the fiscal year, although payments related to tax year 2011 increased slightly while tax year 2012 payments declined 11.5%. The relatively strong performance of the income tax resulted from an 11.5% surge in final payments and a 3.5% decline in refunds. Coupled with the decline in estimated payments, it appears that taxpayers with non-wage income experienced a 2011 that was somewhat better than 2010, but paid their estimated payments in line with 2010 liability under safe harbor requirements. As a result, when tax returns were filed, the remaining liability to be paid resulted in higher final payments or lower refunds. Taken as a whole, tax year 2011 appears to have been a reasonably good one for those with non-wage income, while 2011 and the first half of 2012 were, in absolute terms, not good years for wage earners.

This pattern is likely to continue through fiscal year 2013. Income tax withholding has actually decelerated through the first five months of the fiscal year, increasing only 2.4%. Given that withholding is no doubt showing some impact of the tax increases effective in tax year 2012, underlying growth is even weaker. Some modest acceleration is expected over the remainder of the year, however, as employment continues to increase, but the expected 4.0% growth for the full year is well below what would typically be expected at this point of the economic cycle.

Non-wage income will be boosted by an expected surge in capital gains realizations, shifting of dividend payments from the first quarter of 2013 into the fourth quarter of 2012, and payment of dividends that otherwise would not be paid in the near future, all as a result of the desire of taxpayers and corporations to avoid the coming federal income tax rate increases. And finally, the reinstatement of the limitation on itemized deductions, which the Board assumes will occur, will result in lower itemized deductions for high-income taxpayers, which will flow through to the Maryland income tax calculation. As a result of these factors, estimated payments are expected to increase about 10% both this year and next. Final payments will reflect a large portion of these behavior-induced liabilities, increasing an estimated 29.0% this year before settling down in fiscal year 2014 with a 4.6% decline. Refunds, expected to increase a modest 1.3% in fiscal year 2013, will also show the impact of these altered income streams, before reverting to normal performance with 5.3% growth in fiscal year 2014.

Net collections are forecast to increase 8.1% this year and 4.0% next year. Adjusted for State income tax law changes and the specific and broad effects of the fiscal cliff, baseline revenue growth is expected to grow 3.0% this year and 4.7% in fiscal year 2014. General fund revenues of $7.686 billion are forecast for fiscal year 2013, a $35.5 million increase to the estimate. In fiscal year 2014, general fund revenues of $7.971 billion are expected, a $4.0 million increase to the forecast.

Table 5
Individual Income Tax Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Gross Receipts (State & Local)				
Withholding	10,713,144	11,102,250	11,550,511	12,080,176
Estimated Payments	1,811,514	1,426,286	1,547,754	1,704,889
Payments with Final Returns	816,089	1,308,868	1,688,920	1,610,849
Fiduciary	68,944	61,112	73,614	94,856
Gross Receipts	13,409,691	13,898,517	14,860,799	15,490,769
Refunds	(2,520,357)	(2,432,917)	(2,463,487)	(2,594,361)
Net Receipts (State & Local)	10,889,334	11,465,601	12,397,311	12,896,409
Local Reserve Account	(4,244,246)	(4,349,304)	(4,709,185)	(4,923,078)
Income Tax Check-offs	(1,659)	(1,617)	(2,000)	(2,000)
Net General Fund	6,643,429	7,114,679	7,686,126	7,971,330

Figures may not sum to totals due to rounding.

Corporate Income Tax

General fund corporate income tax revenues posted strong growth of 13.2% in fiscal year 2012, reaching $646.5 million. This performance reflects healthy growth in gross receipts coupled with falling refunds. In general, corporate profits and therefore corporate income tax revenues slow or decline during economic downturns and rise during economic periods of economic growth. After plummeting at the end of fiscal year 2008, corporate profits have steadily increased since the beginning of fiscal year 2010. Part of the reason for the strong growth in corporate profits is the historically slow pace of job growth following the recession. Partly because employment growth is expected to slowly but steadily accelerate through the forecast period, growth in corporate profits is expected to decelerate from its current pace.

Beginning in 2008, initial distributions from corporate income tax revenues are required of 6% to the Higher Education Investment Fund and 9.15% to the general fund. A portion of the remaining corporate income tax revenue is then distributed to the Motor Vehicle Revenue Account in the transportation trust fund (TTF). The TTF distribution was changed from 24% for fiscal year 2012 to 9.5% for fiscal year 2013 and19.5% for fiscal year 2014. The remainder is distributed to the general fund As a result of the changing distribution to the TTF, the general fund distribution does not reflect underlying activity. General fund revenue growth is exaggerated relative to net collections in fiscal year 2013, as is the deceleration in fiscal year 2014.

Gross receipts have continued to climb, with fiscal year-to-date growth through November of 19.5%. Fiscal year 2013 net receipts (after refunds, but before distributions) are up an impressive 73.4%, largely due to historically low refunds, which are down 43.8% year-to-date (to the good for the general fund). Estimated payments, generally reflecting current activity, have increased 28.2% year to date.

Through November, close to 70% of corporate refunds for the full fiscal year are typically paid out. If that is the case this year, refunds will be getting back to pre-recession levels. Prior to fiscal year 2008, refunds typically totaled between $100 million and $150 million. However, between fiscal year 2008 and 2012, refunds averaged $225 million. It appears that, several years beyond the sharp downturn in corporate profits, carryforward losses are exhausted, and refunds are now reflecting the several year period of double-digit growth in corporate profits. For the full year, gross receipts are projected to increase 8.3%, while refunds will decline a sharp 34.8%. Net receipts will therefore increase 18.3%, though due to the changes in the corporate income tax distribution, general fund revenues will grow 38.1%, resulting in an increase to the general fund estimate of $70.9 million.

It is expected that refunds will bounce back slightly in fiscal year 2014, but remain well below recessionary levels. Growth in gross receipts is expected to moderate as the rebound in profit growth following the recession subsides. Net receipts are expected to increase 5.0%. As a result of the changing distributions, general fund revenues will decrease 5.4%, though that represents a $60.9 million increase to the general fund forecast.

Table 6
Corporate Income Tax Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Gross Receipts	991,077	1,082,470	1,172,131	1,253,823
Refunds	(215,232)	(204,537)	(133,440)	(163,197)
Net Receipts	775,845	877,933	1,038,691	1,090,626
Transportation Trust Fund	(157,993)	(178,782)	(83,726)	(180,452)
Higher Education Investment Fund	(46,551)	(52,676)	(62,321)	(65,438)
Net General Fund	571,301	646,475	892,643	844,736

Figures may not sum to totals due to rounding.

Sales and Use Taxes

The sales and use tax provides the second largest source of revenue to the general fund. Revenues climbed 10.5% in fiscal year 2012 after a more modest rate of 3.6% in fiscal year 2011. This increase was boosted by both the increase in the sales and use tax rate on alcoholic beverages from 6% to 9% as well as the elimination of the 5.3% distribution of revenues to the transportation trust fund, both of which were enacted for fiscal year 2012. Growth exclusive of law changes from fiscal year 2011 to fiscal year 2012 is estimated to be only 2.3%. Revenues are expected to grow another 2.3% in 2013 and 2.9% in fiscal year 2014.

The consumer segment of the sales tax was up 6.5% in fiscal year 2012, though after adjusting for the $76.0 million received from the additional 3% tax rate for alcohol sales, growth was just 3.7%. A slowdown is expected in fiscal years 2013 and 2014, however, as consumers continue to struggle finding solid ground. With the fiscal cliff fast approaching, and so many Marylanders affected by federal expenditures, there is considerable anxiety regarding job and income security. The expiration of certain Bush tax policy provisions will subtract from growth as some of the money that will now be paid out in tax was previously disposable income. It comes as no surprise that consumers are holding back on taxable spending in an environment full of uncertainty; fiscal year to date consumer revenues are up only 2.5%. Additionally, elevated prices for food and gas, both not included as taxable goods, command a larger share of disposable income.

While the consumer outlook is grim for the near future, growth of 2.2% and 2.3% in fiscal years 2013 and 2014, respectively; an agreement at the federal level should incite economic activity. Following that agreement and the related economic shock that it generates, Maryland consumers will be poised for recovery. As employment and incomes improve in fiscal year 2015, so should consumer-related receipts.

Construction receipts were up 4.7% in fiscal year 2011 and 3.8% in fiscal year 2012─the first consecutive years of growth since fiscal year 2006 ─ despite the 20% rate increase, from 5% to 6%, in January 2008. Housing market activity is on the mend following what may have been the trough in fiscal year 2012. Fiscal year-to-date, the median home price for the State is up 7.0% and the number of units sold is up 10.3%. Year to date construction receipts are up 2.8%, but are forecast to accelerate throughout the year, finishing up 4.4%. Activity will continue to accelerate into fiscal year 2014, with receipts growth of 8.0%.

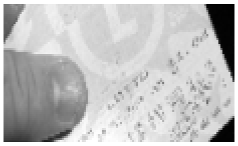
Expenditures for capital goods were off 1.0% in fiscal year 2012 and only growth of well under is expected for fiscal year 2013. Similar to consumers, companies seem to be awaiting tax policy certainty prior to making capital investments. The utilities segment essentially comprises the sale of power to businesses and the sale of communications services. The price of power for commercial and industrial use has remained low relative to pre-recession levels and demand has been subdued. However, year to date receipts are up 2.8% and we expect them to finish the year close to that mark, accelerating to 4.4% in fiscal year 2014 as economic activity picks up. Revenues related to communications services were down the last three fiscal years in a row, likely a combination of consumers switching their cellular purchases to general merchandise stores and the increased demand for data plans; the telephone type service is taxable while the data plans are not. Year to date receipts are up 3.8% and are expected to accelerate to 4.0% by year-end.

In the aggregate, gross receipts growth of 2.5% is expected for fiscal year 2013 and 3.3% for fiscal year 2014. The distribution to the transportation trust fund is expected to fall marginally in fiscal year 2013 relative to 2012, primarily due to reduced rental car activity during Hurricane Sandy. General fund revenues are expected to increase 2.3% to $4,131.6 million for fiscal year 2013 and 2.9% in fiscal year 2014 to $4,252.2 million.

Table 7
Sales and Use Tax Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Consumer	2,717,578	2,894,909	2,959,055	3,027,369
Construction	494,103	512,889	535,483	578,548
Capital Goods	308,871	305,631	307,511	315,845
Utilities	378,252	360,824	373,492	390,103
Gross Collections	3,898,804	4,074,254	4,175,541	4,311,866
Assessments	12,228	16,627	13,074	13,401
Refunds	(14,333)	(14,301)	(14,873)	(25,245)
Transportation Trust Fund	(227,981)	(23,581)	(23,521)	(24,461)
Other	(12,675)	(13,651)	(18,671)	(23,361)
Total General Fund	3,656,043	4,039,348	4,131,550	4,252,199

Figures may not sum to totals due to rounding.



Lottery

Net general fund lottery collections increased 7.3% to $536.3 million in fiscal year 2012. Higher sales, for the 15th consecutive year, coupled with lower payout ratios (a plus for revenues), accounts for the boost in general fund collections. Additionally, in March of fiscal year 2012, the Mega Millions jackpot rose to $640 million, the largest jackpot in history, generating more than $30 million in sales.

Sales for the numbers games – which are Pick 3 and Pick 4 - rose by $4.7 million or 0.9%, as compared to fiscal year 2011. Pick 4 sales increased $10.9 million in 2012, while revenues were up 3.7%. Despite declining 2.4% in sales, Pick 3 revenues increased 6.9% due to lower than expected payout ratios. The rise in Pick 4 sales and the continued decrease in Pick 3 sales can be attributed to the top prize offered in these games. The top prize for Pick 3 is $500, whereas the top prize for Pick 4 is $5,000.

Sales for the monitor games, in fiscal year 2012 include Keno, Racetrax, and several related bonus games, increased 5.0% to $521.7 million. The number of facilities offering Racetrax continues to grow, marking Racetrax as one of the State lottery's fastest growing games with revenue growth of 19.2% in fiscal year 2012, and year to date growth of 14.3% in fiscal year 2013. Alternatively, Keno sales have turned down drastically in fiscal year 2013; it seems that Keno has been the game most impacted by the opening of the Maryland Live facility at Arundel Mills.

Revenues from matrix games, including Mega Millions, Multi-Match, Bonus Match 5, and Powerball, increased 22.0% in fiscal year 2012. Powerball's ticket sale price increase, from $1 to $2, has created larger jackpots quicker, therefore pulling more casual players into the game more frequently. The positive results have been somewhat offset by weaker jackpots for Mega Millions (the games are comparable substitutes for each other), though the increased ticket price seems to be a net gain for the State. Having said that, it generally makes sense to compare the games as one. Largely the result of the $587.5 million Powerball jackpot this last month, year-to-date sales for the two games are up $27.0 million (43.2%). While this bodes well for the State, in March the games will compete against last year's historic Mega Million jackpot, which in the absence of another historic jackpot this year would wipe out all of the year to date growth. There will be one other structural change to the jackpot games this year– in April the country's most populous state, California, will join Powerball; which could create chances for greater jackpots and at the same time expanding the opportunity for smaller jackpots to hit prior to becoming extraordinary.

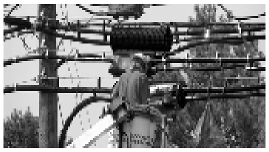
Despite a marginal increase in sales (0.1%), total revenues are expected to decline in fiscal year 2013 due to the increase in agent fees effective January 2013 and the below statistically expected payout levels in fiscal year 2012. The Arundel Mills casino, which opened at the end of fiscal year 2012, is expected to adversely affect lottery ticket sales of locations within close proximity – most notably on Keno sales. Economic conditions, which are expected to continue showing improvement, will likely boost sales and general fund revenue collections in fiscal year 2014 (1.5% and 0.4%).

Table 8
Lottery Sales and Revenues by Game
Fiscal years 2011-2014
($in millions)

	Sales				Revenues			
	2011	2012	2013	2014	2011	2012	2013	2014
	Actual	Actual	Estimate	Estimate	Actual	Actual	Estimate	Estimate
Pick 3	260.8	254.6	247.7	242.0	106.1	113.4	99.6	99.5
Pick 4	254.6	265.5	271.9	280.8	104.8	108.7	119.3	117.9
Multimatch	27.9	30.7	30.7	30.8	10.1	11.2	11.1	11.1
Instant/5 Card Cash	493.5	506.8	517.2	526.3	87.3	88.7	91.5	94.2
Keno/Racetrax	496.8	521.7	505.9	531.6	136.6	142.2	131.5	139.4
Bonus Match 5	21.4	21.9	21.0	21.4	7.4	7.8	7.6	7.2
Mega Millions/Powerball	159.3	193.7	201.4	190.2	67.1	84.2	84.8	78.9
Total	1,714.3	1,794.9	1,795.9	1,823.1	519.4	556.3	545.4	548.2
Less: Stadium Authority Revenue					(20.0)	(20.0)	(19.3)	(20.0)
General Fund Revenue					499.4	536.3	526.2	528.2

Figues may not sum to totals due to rounding.

Note: Special fund revenues (the Lottery Agency's operating expenses) of $53.9 million in 2012 are not included in this table; these revenues, generally proportional to sales by game, are expected to be $54.4 million in 2013 and $56.3 million in 2014.



Business Franchise Taxes

Public service company franchise taxes are collected from electric and gas utilities and telecommunications companies. The tax on telephone services is 2%. Natural gas is taxed at 0.402 cents per therm and electricity at 0.062 cents per kilowatt hour. In addition, there is a 2% tax on the cost of distribution of gas and electricity.

Gas and electric receipts, a component of the public service company franchise tax, decreased 3.4% in fiscal year 2012. The two factors affecting this decline were prices and consumption; both of which were down. The reduced consumption is likely the result of a continuing economic rebound coupled with the new trend of “going green.” Looking forward, gas and electric receipts are expected to continue declining by 2% in fiscal year 2013 before rebounding 2.6% in fiscal year 2014.

As consumers continue the trend of replacing traditional land-based long-distance and local telephone services with set-price cellular services, public service company tax revenues from telecommunications companies have and will continue to decline. From 2008 to the present, households forgoing traditional landlines in favor of using only wireless phones increased from 17.5% to 34%. Forecast revenues are expected to continue declining by 8% and 6.2% in fiscal years 2013 and 2014, respectively, as landlines continue to become phased out in favor or wireless phones.

Filing fees, generally $300 per year for most entities doing business in Maryland, are also counted as business franchise taxes. Modest growth in filing fees of 1.9% in fiscal year 2012 gives credence to improved economic conditions, as these fees directly relate to economic stability and growth. As economic conditions are expected to continue improving, filing fees for fiscal years 2013 and 2014 are expected to grow 2.3% each year.

The moderate growth in filing fees is not expected to offset anticipated losses from the public service company franchise tax and total business franchise tax revenues are forecast to remain relatively flat, declining 1.9% in fiscal year 2013 before growing a slow 0.7% in fiscal year 2014.

Table 9
Business Franchise Tax Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Public Service Company Franchise Tax	131,551	127,106	121,430	120,994
Filing Fees	78,620	80,089	81,922	83,797
Net General Fund	210,171	207,194	203,352	204,791

Insurance Premium Tax

Insurance premiums are taxed at a rate of 2%. Collections for fiscal year 2012 grew 6.3%, doubling the increase from 2011. This was the first of the past several years in which a Heritage Structure Rehabilitation Tax Credit was not taken against the tax. Adjusting for the credit, which averages approximately $5 million annually, taxes from insurance premiums still saw strong growth (4.6%).

Insurance premiums, tied to automobile purchases, home ownership, home prices, and employment, among other factors, have been steadily increasing over the past few years after declining in fiscal year 2009 (for the first time since 2000).

Looking towards the future, insurance premiums are expected to receive an additional boost from federal healthcare reform as many individuals become incentivized to purchase health insurance. In addition, revenues from the Injured Workers Insurance Fund will increase insurance premium taxes collected, as these premiums are now taxable. Offsetting the additional revenues from health care reform and the Injured Workers Insurance Fund is the Invest Maryland credit, which is expected to start phasing in beginning in fiscal year 2014. Premium tax revenues are expected to increase 3.5% to $314.5 million in fiscal year 2013 and 1.5% to $319.2 million in fiscal year 2014 as economic conditions improve.

Table 10
Insurance Premium Tax Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Premium Tax	285,942	304,022	314,517	319,157

Estate and Inheritance Taxes

Estate and inheritance tax revenues are significantly volatile, as by definition they are determined by the number of deaths each year and wealth of the decedents. After a few years of unusually high volatility in the value of stocks, real estate, and other assets, relative economic stability has resulted in less dramatic year-over-year changes. While Maryland's estate tax is decoupled from most recent changes in the federal estate tax, State and federal laws can play a role in determining actual revenues collected from estates.

After total estate and inheritance taxes spiked sharply in fiscal year 2011– a direct correlation to the high number of large estate tax payments ($500,000 or more) – fiscal year 2012 revenues dropped 8.9%. Declining over $15 million, the estate tax dropped 9.4% in fiscal year 2012 after growing 27.3% in the prior year. Compared with 25 estates over $1 million in fiscal year 2011, only 16 had payments of that magnitude in 2012. This impact coupled with the drop in average large estate liability over $1 million, accounts for much of the dramatic decline last year.

Through the first five months of fiscal year 2013, estate tax revenues are up 20%. This is attributable to small-sized estates (those with liabilities less than $500,000). Large estates, those with payments over $500,000, have declined 35.5%. Mid-sized estates (those with liabilities between $500,000 and $1 million) have significantly declined year-to-date. The number of mid-sized estates filing through November has dropped from 19 in the prior fiscal year to eight this fiscal year. In addition to the drop in the number of returns, total taxes due from mid-sized estates have also declined (from $13.6 million to $5.5 million).

The collateral inheritance tax, a 10% tax applied to bequests to anyone aside from lineal relatives and siblings of the decedent, comprises almost all of the total inheritance tax revenue. Slightly declining from fiscal year 2011 to 2012, remaining inheritance tax collections are residuals from the direct inheritance tax, which was repealed many years ago. As with the estate tax, inheritance tax revenues have fluctuated over the years. Year to date revenues are up 14.4% or just above $2.4 million. Due to uncertainty surrounding the stability of the economy, growth of 7.8% is forecast in fiscal year 2013 before declining 3.4% in fiscal year 2014. Total estate and inheritance tax revenues are forecast to grow 10.6% in fiscal 2013 and just 0.5% in fiscal year 2014.

Table 11
Estate and Inheritance Tax Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Collateral Inheritance Tax	55,540	51,500	55,534	53,638
Direct Inheritance Tax	158	158	150	150
Estate Tax	160,346	145,240	162,130	165,039
Total	216,044	196,897	217,814	218,827

Alcohol and Tobacco Excise Taxes

General fund revenues from tobacco sales remained relatively consistent between fiscal years 2011 and 2012, as the largest source of these revenues, the tax from cigarette stamps, remained flat. While fiscal year 2012 revenues from other tobacco products rose 3.5%, revenues from cigarette stamps, which comprised over 96.5% of total fiscal year 2012 general fund tobacco revenues, rose by 0.6%. Overall, tobacco revenues increased 0.9% from fiscal year 2011 to fiscal year 2012.

Though cigarette pack sales are down 4.3% year-to-date, tobacco revenues are expected to increase from fiscal year 2012 to fiscal year 2013 due to an increase in revenues from the wholesale tax on other tobacco products. In fiscal year 2013, the tax rate on the wholesale price of most other tobacco products increased. The tax rate remained at 15% for premium cigars, but increased to 70% on the wholesale price of non-premium cigars and 30% for most other tobacco products. Recent rate changes have had little impact on consumption of other tobacco products; thus, revenues from other tobacco products are expected to increase in fiscal year 2013. For fiscal year 2013, year-to-date cigarette pack revenues are down 5.1%, led by a decrease in sales of 4.3%, while other tobacco products year-to-date collections are above the same period last year by over 185.7%. Total general fund tobacco revenues are expected to increase 1.6% from fiscal year 2012 to 2013 and to be flat in fiscal year 2014.

Alcohol excise tax general fund revenues increased 1.9% from fiscal year 2011 to fiscal year 2012. This increase was led largely by revenues from liquor and wine sales, growing by 2.5% and 3.7%, respectively. Annual growth of 1.9% is consistent with the recent trend, but 1.6% above the estimate. Revenues from the alcohol excise tax were expected to dip below trend as a result of an increase in the alcoholic beverage sales tax rate from 6% to 9%, implemented in fiscal year 2012. Consumer demand for alcoholic beverages was expected to decrease in response to the higher point-of-sale price, thereby decreasing alcohol excise tax revenues below the customary trend. Despite the price increase, the aggregate number of alcoholic beverage gallons consumed remained flat from fiscal year 2011 to fiscal year 2012. Revenues grew 1.9% due to a higher proportion of distilled alcoholic beverage and wine consumption, as both are taxed at a higher rate per gallon than beer.

Expert testimony at the Economic Advisory Panel provided anecdotal evidence supporting the hypothesis that Maryland consumers have substituted to cheaper alcoholic beverages as a result of the rate increase. Furthermore, direct shipments of wine to Maryland residents, which became legal in fiscal year 2012, may have led to an increase in wine consumption and, consequently, excise tax revenues from wine sales. Liquor, wine, and beer excise tax year-to-date revenues are flat relative to fiscal year 2012, increasing 0.7%. Following this, alcohol excise tax revenues are expected to remain fairly flat in fiscal year 2013, growing 0.3%.

Table 12
Excise Tax Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Cigarette Tax	395,203	398,623	382,835	381,823
Other Tobacco Products Tax	12,367	12,804	35,000	35,875
Total Tobacco Taxes	407,570	411,427	417,835	417,698
Distilled Spirits Tax	15,575	15,970	15,900	16,286
Wine Tax	5,795	6,009	6,300	6,571
Beer Tax	9,065	9,030	8,900	8,856
Total Alcoholic Beverages Tax	30,435	31,009	31,100	31,713

Figures may not sum to totals due to rounding.

Hospital Patient Recoveries

Hospital patient recoveries are revenues received for services provided in State hospitals paid by the patients, their sponsors or insurance, and by the federal Medicaid or Medicare programs. Medicaid reimbursements, the largest share of recoveries, primarily relate to patients in psychiatric hospitals. State psychiatric hospital admissions policy dictates that persons with non-exhausted mental health benefits are usually re-directed to community based private providers resulting in hospital closures in recent years. During fiscal year 2012 no State hospitals were closed. While none are expected to close in fiscal year 2014, Spring Grove and Springfield closed assisted living facilities in September 2012 (fiscal year 2013).

A total of $66.6 million was received in fiscal year 2012, a 10.6% decrease from the prior year. Of this amount, approximately $1.3 million is related to adjustments due to legislative changes. In addition, fiscal year 2011 revenues were boosted by the American Recovery and Reinvestment Act – accounting for much of the decrease in fiscal year 2012 revenues along with lower Medicaid reimbursements. Revenues are expected to continue their decline in fiscal years 2013 and 2014, 8.3% and 1.3%, respectively - largely a result of a decrease in expected Medicaid reimbursements. In total, the general fund is expected to receive $60.9 million in hospital patient recoveries in fiscal year 2013 and $60.1 million in fiscal year 2014.

Table 13
Hospital Patient Recoveries
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Medicaid	35,640	31,780	23,328	23,795
Medicare	7,241	4,751	7,463	6,344
Insurance and Sponsors	6,048	4,066	4,299	4,145
	48,929	40,598	35,090	34,283
Disproportionate Share	25,305	25,787	25,793	25,793
Total	74,234	66,385	60,883	60,076

Figures may not sum to totals due to rounding.

Court Revenues

Maryland's district courts collect revenues from court fees and traffic fines, which vary with enforcement activities, weather, the rate of contested citations, and the fees and fines actually imposed. After a high of $95.9 million collected in fiscal year 2007, the highest level in at least 20 years, revenues have fallen each year. By fiscal year 2012, revenues were just $79.4 million─17.2% less than fiscal year 2007 collections and are the lowest since fiscal year 2003. The revenue decline in fiscal year 2012 was largely due to a reduction, from 27% to 22%, in the proportion of dispositions that were taken to trial. Through November 2012, revenues are down by 3.4%. For the full fiscal year 2013, revenues from district courts are forecast to decline by 3.0% to $77.0 million. A further 1.0% drop is expected in fiscal year 2014, lowering revenues to slightly over $76.2 million.

General fund revenue collected by the clerks of the circuit courts is derived predominately from recordation-related activity, although about $8.5 million is received annually from a variety of court fees. After substantial declines in collections in each of the last five fiscal years (revenues in fiscal year 2011 were roughly half of the amount collected in fiscal year 2006) revenue growth turned positive in fiscal year 2012. Some of the impressive 20.1% growth is attributable to the negative effect of the federal homebuyers income tax credit's expiration on fiscal year 2011 collections.

Through November 2012, clerks revenues have grown strongly, totaling $17.8 million ─ an increase of 21.2% over the same period in fiscal year 2012. Growth is expected to be slower for the remainder of fiscal year 2013, with total revenues of $40.0 million (13.8% growth), and to be essentially flat at $39.8 million in fiscal year 2014.

Table 14
General Fund Court Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
District Courts	86,867	79,395	77,000	76,230
Clerks of the Court	29,263	35,139	40,000	39,800

Interest Earnings

Interest on investments fell significantly in fiscal year 2012 as interest rates continued to decline. The current forecast for three-month Treasury bill rates calls for a modest increase to a still very low 0.11% in fiscal year 2013 before rising more substantially to 0.23% in fiscal year 2014. In fiscal year 2011, general fund interest earnings were boosted by the temporary crediting to the general fund interest from a variety of special funds. The cessation of this redistribution coupled with low interest rates caused the drastic drop (69.3%) of interest earnings in fiscal year 2012. After further declining in fiscal year 2013 to $10 million, rising rates coupled with rising revenues are expected to increase fiscal year 2014 revenues to $15 million.

Table 15
Interest Earnings
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Interest Earnings	58,381	17,918	10,000	15,000

Miscellaneous Revenues

The general fund receives a substantial amount of revenues each year from a number of fees and other non-tax revenue sources. As in past years, the majority of this revenue (67%) is from unclaimed property and uninsured motorist penalty fees. Although unclaimed property showed a slight gain in fiscal year 2012, this was due to an adjustment to the reserve; actual collections declined. Uninsured motorist penalty fees have been continually decreasing for the past three years; this trend is expected to continue as a change in policies allows insurance companies to back-date insurance up to 60 days, therefore lowering the pool of uninsured motorists. An adjustment was made to the federal retiree drug subsidy for fiscal years 2011 and 2012, affecting the year over year comparison.

The State admissions and amusement tax, which is imposed on the taxable net proceeds from electronic bingo and electronic tip jars, grew 12% in fiscal year 2012, after increasing 5.4% in the prior year. The fiscal year 2012 growth was largely based on legislative changes that altered the distribution of revenues from the tax.

After decreasing 9.6% in fiscal year 2012, miscellaneous revenues are forecast to remain flat in 2013 then decline 3% in 2014, largely as a result of lower collections from unclaimed property, uninsured motorist penalty fees, and the State admissions and amusement tax.

Table 16
Miscellaneous Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Recording, Organization & Capitalization Fees	11,068	11,190	1,114	11,447
Excess Fees of Office	4,997	2,962	2,689	2,252
Unclaimed Property	73,810	76,296	75,000	72,000
Local Income Tax Reimbursement	13,407	14,490	12,840	13,004
Uninsured Motorist Penalty Fees	59,019	52,064	49,981	48,482
State Admissions & Amusement Tax	13,277	14,935	7,602	7,830
Federal Retiree Drug Subsidy	32,228	15,250	25,400	27,000
Tobacco Conversion Program Bond Repayment	1,845	3,321	3,323	3,323
Miscellaneous Revenues and Transfers	1,953	753	3,705	500
Total	211,604	191,260	191,654	185,837

Miscellaneous Agency Revenues

Agency general fund revenue is comprised of revenue received by those agencies whose primary purpose is not revenue collection, but whose ancillary collections are directed to the general fund. Significant amounts of miscellaneous revenues are submitted by the Office of the Attorney General, Department of Health and Mental Hygiene (DHMH), and Public Education; combined, these agencies account for 38.3% of all fiscal year 2012 collections. Generally, the Attorney General's revenues stem from large settlements, while DHMH revenues are from a variety of sources, and Public Education's from education-related reimbursements from Maryland's counties. Other agencies collect small amounts from fees or penalties.

In fiscal year 2012, miscellaneous agency revenues increased by $14.1 million (8.1%) largely due to various one-time transactions and were boosted by the American Recovery and Reinvestment Act. For fiscal year 2013, agency miscellaneous revenues are expected to remain flat before declining 3.6% in fiscal year 2014.

Table 17
Miscellaneous Agency Revenues
Fiscal Years 2011-2014
($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
PSC Fines, Citations and Filing Fees	335	1,427	231	238
Legislature	87	31	47	42
Workers' Compensation	58	56	57	59
Public Defender	1,734	1,743	1,500	1,500
Attorney General	30,372	34,192	29,723	32,101
Executive & Administrative Control	8,129	9,273	7,656	7,403
Financial & Revenue Administration	14,751	15,384	16,599	17,334
Budget & Fiscal Administration	2,764	7,937	4,003	3,550
General Services	96	77	88	91
Natural Resources	197	2,002	228	235
Agriculture	555	194	175	167
Health & Mental Hygiene	28,163	34,921	48,547	37,364
Human Resources	15	4,623	1,613	1,661
Labor, Licensing & Regulation	11,001	12,279	11,748	12,078
Public Safety & MD State Police	13,203	13,515	15,158	15,541
Public Education	59,144	47,375	47,282	47,376
Housing and Community Development	965	1,038	1,012	1,022
Business & Economic Development	964	492	640	640
Environment	830	943	887	904
Juvenile Services	95	0	0	0
Alcoholic Beverage Licenses	1,172	1,220	1,244	1,281
Total	174,629	188,723	188,437	180,587

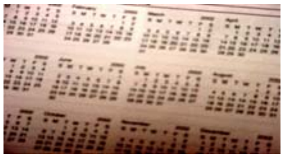
Table 18

Maryland Motor Vehicle User Revenues

Fiscal Years 2011-2014

($ in thousands)

	2011 Actual	2012 Actual	2013 Revised Estimate	2014 Estimate
Department of Transportation				
Registrations	360,514	357,247	362,700	364,500
Licenses	37,176	37,400	47,100	51,200
Med-Evac Surcharge	50,885	51,394	52,178	52,437
Trauma Physician Services Surcharge	11,585	11,683	11,861	11,920
Miscellaneous Motor Vehicle Fees	125,924	172,368	176,154	178,498
Vehicle Emission Inspection Fees	31,984	31,877	31,663	33,836
Security Interest Filing Fees- Special Funds	9,251	10,056	10,600	11,200
Hauling Fees	10,200	10,849	11,100	11,200
Special License Tags – Special Funds	3,587	5,429	5,200	5,300
Titling Tax	594,938	632,356	682,000	737,000
Sales Tax on-Rental Vehicles	24,362	23,581	24,133	25,099
Special Distribution from Sales Tax	203,656	0	0	0
	1,464,062	1,344,240	1,414,689	1,482,191
Motor Vehicle Fuel Tax	746,817	728,686	733,300	740,600
Road Tax	5,320	4,737	4,900	4,900
Decals	181	139	0	0
	752,318	733,562	738,200	745,500
Total	2,216,380	2,077,802	2,152,889	2,227,691



These estimates are based on current economic outlooks for the U.S. and Maryland economies and incorporate recent legislative changes. These estimates also incorporate the Board's assumptions regarding the fiscal cliff and could change significantly depending on federal actions.

With near term growth stunted and uncertainty surrounding the impending "fiscal cliff," the long-term outlook reflects modest, though accelerating, growth into the out years. Expectations for growth in wages and salaries, and therefore baseline personal income tax withholding, remains muted until the unemployment rate drops to lower levels. However, withholding will be aided by changes made to the personal income tax structure in the 2012 special session to the tune of $852 million between tax years 2012 and 2015, $90.9 million of which is expected to be local income tax.

Revenues related to corporate income tax profits are expected to slow; as the economy improves and wages grow more strongly, the assumption is for rising unit costs to cut into company profit margins. In fiscal year 2017, a change in the distribution of corporate income tax revenues will redirect some revenue from the transportation trust fund to the general fund.

Table 19

Long Term Economic Forecast

Primary Indicators

Calendar Year	2010	2011	2012	2013	2014	2015	2016
US Real GDP ($ billion, chained)	13,063	13,299	13,580	13,843	14,233	14,707	15,129
	2.4%	*1.8%*	*2.1%*	*1.9%*	*2.8%*	*3.3%*	*2.9%*
US Total Non-Farm Employment (thousands)	129,856	131,359	133,250	135,281	137,624	140,341	142,884
	-0.7%	*1.2%*	*1.4%*	*1.5%*	*1.7%*	*2.0%*	*1.8%*
US Personal Income ($ billion)	12,322	12,947	13,395	13,913	14,601	15,320	16,076
	3.8%	*5.1%*	*3.5%*	*3.9%*	*4.9%*	*4.9%*	*4.9%*
Consumer Price Index (% Δ)	*2.2%*	*2.2%*	*2.3%*	*2.3%*	*2.4%*	*2.4%*	*2.5%*
US 10-Year Treasury Bond Yield	3.2%	2.8%	1.8%	2.1%	2.8%	3.5%	4.3%
MD Total Non-Farm Employment (thousands)	2,518	2,548	2,570	2,593	2,632	2,680	2,728
	-0.2%	*1.2%*	*0.9%*	*0.9%*	*1.5%*	*1.8%*	*1.8%*
MD Total Personal Income ($ million)	281,305	295,236	305,883	316,780	330,994	347,833	365,324
	3.5%	*5.0%*	*3.6%*	*3.6%*	*4.5%*	*5.1%*	*5.0%*

Source: Board of Revenue Estimates and Global Insight (December 2012 Forecast)

Table 20
Maryland General Fund Revenues
Fiscal Years 2011- 2014
($ in thousands)

	2012 Actual	2013 Estimate	2014 Estimate	2015 Estimate	2016 Estimate	2017 Estimate	2018 Estimate
Income Taxes							
Individual	7,114,679	7,686,126	7,971,330	8,330,040	8,788,192	9,271,543	9,698,034
Corporation	646,475	892,643	844,736	870,078	896,180	946,324	974,713
TOTAL	7,761,154	8,578,769	8,816,066	9,200,118	9,684,372	10,217,866	10,672,747
Sales and Use Taxes	4,039,348	4,131,550	4,252,199	4,422,287	4,621,290	4,852,354	5,078,959
State Lottery	538,251	526,183	528,195	530,641	546,560	556,257	572,945
Franchise, Excise, License, Fee	1,919,090	1,765,591	1,754,716	1,766,737	1,823,791	1,867,572	1,918,439
TOTAL CURRENT REVENUES	14,257,843	15,002,093	15,351,176	15,919,783	16,676,013	17,494,050	18,243,090

Figures may not sum to totals due to rounding.
Totals do not include extraordinary revenues.